

Message Text

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PAGE 01 BANGKO 05946 111448Z

51

ACTION EB-11

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 2335

C O N F I D E N T I A L BANGKOK 5946

E.O. 11652: GDS

TAGS: ECON

SUBJECT: TEXTILE NEGOTIATIONS

REF: STATE 032712

1. AS MAY 20 NOW AGREED FOR COMMENCEMENT BILATERAL NEGOTIATIONS ON MAN-MADE FIBER AGREEMENT, I WOULD LIKE TO GIVE U.S. TEAM MY VIEW OF IMPORTANCE THESE NEGOTIATIONS WITHIN CONTEXT OVERALL U.S.-THAI RELATIONS AT THIS PARTICULARLY CRITICAL STAGE.

2. TEXTILE MANUFACTURING INDUSTRY IS LARGEST IN THAILAND MEASURED BY SIZE OF WORK FORCE. IT IS NOW FACING UNCERTAIN OUTLOOK DUE TO CHANGING ECONOMIC CONDITIONS IN JAPAN, WHICH IS BOTH SOURCE OF RAW MATERIALS AND ALSO A MAJOR IMPORTER OF THAI TEXTILES. INCREASED COSTS AND ALLEGED SHORTAGES OF RAW MATERIALS COMBINED WITH LARGE, ACCUMULATED INVENTORIES ARE ALREADY CAUSING SOME THAI TEXTILE PLANTS TO REDUCE THEIR OUTPUT. RISING COST OF LIVING ALSO MAY LEAD TO STRIKES THIS YEAR AMONG THAI TEXTILE WORKERS BECAUSE OF THEIR RELATIVELY LOW PAY SCALES AND CONCENTRATION IN LIMITED AREAS.

3. RECENTLY ANNOUNCED PLANS TO CUT BACK ON U.S. MILITARY PRESENCE HERE THIS YEAR WILL INEVITABLY CAUSE SUBSTANTIAL

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PAGE 02 BANGKO 05946 111448Z

REDUCTION IN THAI EMPLOYMENT IN BASE-RELATED ACTIVITIES. IF

TEXTILE INDUSTRY AT SAME TIME OBLIGED TO REDUCE ITS WORK FORCE, COMBINED EFFECT COULD VERY WELL CAUSE SERIOUS POLITICAL REPERCUSSIONS DURING THIS CRITICAL TRANSITION PERIOD FROM MILITARY REGIME TO PERMANENT CONSTITUTIONAL GOVERNMENT.

4. I VISITED THAI GARMENT EXPORT COMPANY PLANT APRIL 11 AND OBSERVED THAT THIS FIRM EXPORTS (AT RATE OF \$1 MILLION PER MONTH) PRIMARILY GOOD QUALITY, LOW PRICED GARMENTS FOR SUCH U.S. BUYERS AS MONTGOMERY WARD AND J.C. PENNEY, WHICH CATER TO CLOTHING NEEDS OF MANY AMERICANS IN OUR LOWER INCOME GROUPS. INDEED, TWO RECENT AMERICAN VISITORS TO THIS SAME PLANT FROM INTERNATIONAL LADIES GARMENT WORKERS UNION INDICATED U.S. TEXTILE INDUSTRY COULD NEVER SUPPLY SUCH LOW COST, HIGH QUALITY GOODS.

5. MOST RECENT U.S. COMMERCE DEPT STATISTICS SHOW THAT IN 1973 SIXTEEN COUNTRIES SUPPLIED MORE MAN-MADE FIBER MANUFACTURERS TO U.S. THAN DID THAILAND. SAME STATISTICS SHOW THAILAND'S SHARE OF U.S. MARKET FOR SUCH PRODUCTS WAS ONLY 1.32 PERCENT.

6. IN VIEW OF ABOVE FACTORS AND OUR TOTAL STAKE HERE, I STRONGLY URGE THAT WASHINGTON NEGOTIATORS IN MEETING WITH THAI DELEGATION BE JUST AS FORTHCOMING AS POSSIBLE.
KINTNER

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